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FM AMEMBASSY ASHGABAT
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INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE
RUCNCIS/CIS COLLECTIVE
RUCNMEM/EU MEMBER STATES COLLECTIVE
RUEHAK/AMEMBASSY ANKARA 4517
RUEHBJ/AMEMBASSY BEIJING 2329
RUEHKO/AMEMBASSY TOKYO 2194
RUEHIT/AMCONSUL ISTANBUL 2765
RUEATRS/DEPT OF TREASURY WASHDC
RUCPDO/DEPT OF COMMERCE WASHDC
RHEHNSC/NSC WASHDC
RHMFISS/CDR USCENCOM MACDILL AFB FL
RUEAIIA/CIA WASHDC
RHEFDIA/DIA WASHDC
RUEKJCS/JOINT STAFF WASHDC
RUEKJCS/SECDEF WASHINGTON DC
RUEHVEN/USMISSION USOSCE 3083

C O N F I D E N T I A L SECTION 01 OF 02 ASHGABAT 001508

SIPDIS

STATE FOR SCA/CEN, EEB

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TAGS: [PGOV](#) [EFIN](#) [EPET](#) [ETRD](#) [KTIA](#) [TX](#)

SUBJECT: DELOITTE TAX NOT YET REGISTERED, BUT CONFIDENT
ABOUT FUTURE IN TURKMENISTAN

Classified By: Charge d'Affaires a.i. Richard Miles for reasons 1.4 (B)
and (D).

¶1. (C) SUMMARY: Deloitte Tax LLP is working on registering an office in Ashgabat in order to be where its customers are. Company representatives describe plans to set up the office as "cautiously optimistic." Deloitte delayed registration for some time because of bureaucratic requirements, including the government's requirement for 51 percent of the company to be held locally. Company representatives said the lack of a successor treaty to the Convention with the Union of Soviet Socialist Republics on Matters of Taxation is a hindrance for American companies that are considering opening an office. Deputy Chairman of Oil and Gas Tachberdi Tagiyev told Deloitte officials that the need for international auditors in Turkmenistan in a private meeting on the fringes of the oil and gas conference held in London in April. END SUMMARY.

PLANS IN TURKMENISTAN, AND SOME OBSERVATIONS

¶2. (C) The Amcit International Tax Partner from Deloitte Tax in Almaty told econoff November 18 that the company expects to receive registration in Turkmenistan in early 2009. A government requirement that 51 percent of the company must be Turkmen-owned has delayed its registration as a joint venture. The company also needs to procure an audit license and other licenses as well -- all documents that are not easy to obtain and which the company would rather avoid having to get, if possible. Deloitte representatives acknowledged that companies with an internationally-recognized name receive registration faster because of Turkmenistan's great desire for international recognition. To illustrate this point, they added that Deputy Chairman for Oil and Gas Tachberdi Tagiyev mentioned the need for independent auditors in a private, 20-minute meeting held on the fringes of the oil and gas conference held April 17-18 in London. He added that international law firms such as Bricewell Giuliani, Chadbourne and Park, and Dewey & LeBoeuf are interested in opening offices in Ashgabat, as well as PricewaterhouseCoopers.

WHY DELOITTE IS OPENING AN OFFICE IN ASHGABAT: CUSTOMER BASE

13. (C) Deloitte wants an office in Ashgabat because it needs to have offices where the customers are. Company representatives describe their plans to open an office as "cautiously optimistic." The company's current clients in Turkmenistan -- which the Almaty office will officially process until registration is completed -- include Chevron, ConocoPhillips, Schlumberger, Transocean, Parker Drilling, Baker & Hughes, and Oriflame. The Deloitte team, including Partner in Charge of Tax and Legal Issues for the Caspian Region Vladimir Kononenko, plans to meet with representatives from Lukoil, BP, Petronas, and Kazmunaigaz during the Turkmenistan Oil and Gas show, November 19-21.

DELOITTE'S CONCERNS AND SUGGESTIONS

14. (C) The Deloitte representatives asked about progress on a successor treaty to the Convention with the Union of Soviet Socialist Republics on Matters of Taxation, because companies which are considering opening up offices have discussed this issue and the disadvantages the lack of a current dual tax treaty poses. They also suggested:

-- Establishment of working groups for taxes and other business issues. After registration is complete, Deloitte will hold quarterly roundtables for finance directors which will serve a similar function.

-- Pushing for changes to the Tax Code and other related codes such as the Customs Code. They stressed that it would be important that reform go beyond the decree level, but

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continue on towards reworking codes with an eye towards increasing transparency.

-- Holding a road show for U.S. companies that would introduce them to Turkmenistan, citing a successful program organized for Australian companies. Deloitte is willing to give presentations at such an event.

15. (C) COMMENT: Deloitte appears to feel quite confident about its future in Turkmenistan and its ability to build on its current customer base. However, it will be interesting to see how long the registration process takes and if the company is put in the "internationally-recognized" class. We agree with Tagiyev that there is a need for independent auditors in Turkmenistan. END COMMENT.

MILES